

WEEKLY MARKETS ROUND-UP

Executive Summary

22nd April 2024

Top news: earnings from Tesla, META, Microsoft and Alphabet – last week was dominated by fear of a wider conflict in the Middle East, while at the same time, resilient US Retail sales data put further upside pressure on yields. In this context, the S&P500 dropped more than -3% and the Nasdaq100 almost -6%. The more Value/Defensive Dow Jones Industrial Average was pretty much flat and the EuroStoxx50 was down less than -1%. On the earnings front, US Financials generally surprised positively (GS, MS, BAC or AXP) while NFLX beat earnings but disappointed on future growth forecasts, crashing circa 10% into Friday, thereby exacerbating the discrepancy between the now more resilient Value profiles vs Growth, which is falling out, failing to meet stellar expectations. The next two weeks will be the most active on the Q1 earnings release front, and this week especially, with TSLA on Tuesday, META on Wednesday, Microsoft and Alphabet on Thursday and the largest Energy companies on Friday (Exxon, Chevron and TotalEnergie). On the macro front, the main events will be the Global Flash PMIs (i.e. advanced economic indicators) on Tuesday, the Q1 US advanced GDP estimate on Thursday and the BoJ meeting as well as US Core PCE Inflation data on Friday.

Equity: US Growth themes are reversing down rapidly, as they were pretty much priced to perfection, while rate cuts are now being priced out. The market seems short term Oversold (see next page), and could bounce over the next 1-2 weeks, especially if the Middle East des-escalates slightly. We would then remain in retracement mode into late Q2.

Fixed Income: the 10Y US and Bund Yields continued to rise last week, by circa 0.1%. Both are now resp. 0.37% / 0.47% off their early Q4 highs (i.e. getting closer). They are slightly Overbought, but could still push higher into late Q2.

FOREX: USD generally remained bid last week on risk-off dynamics. It was up vs GBP or AUD, flat vs EUR and slightly down vs CHF (also defensive). USD/JPY however broke out to new highs, just shy of 155 (levels last seen in 1990).

Commodities: Oil retraced throughout the week and despite the geopolitical tensions. These were more supportive for Gold, which closed on all-time daily highs at 2'391 USD/oz on Friday. It remains Overbought for now though.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	4 967	Apr-23	4 056	22,5%	Mar-24	5 254	-5,5%	4,1%	up	neutral
Nasdaq100 Index	USD	17 038	Apr-23	12 725	33,9%	Mar-24	18 339	-7,1%	1,3%	up	neutral
Dow Jones Industrials Index	USD	37 986	Oct-23	32 418	17,2%	Mar-24	39 807	-4,6%	0,8%	up	neutral
EuroStoxx50	EUR	4 918	Oct-23	4 014	22,5%	Mar-24	5 083	-3,3%	8,8%	up	neutral
Swiss Market Index	CHF	11 296	Oct-23	10 324	9,4%	Mar-24	11 790	-4,2%	1,4%	up	neutral
Nikkei225	JPY	37 068	Apr-23	28 416	30,4%	Mar-24	40 888	-9,3%	10,8%	up	neutral
Shanghai Composite	CNY	3 065	Feb-24	2 702	13,4%	May-23	3 395	-9,7%	3,0%	neutral	neutral
US 10Y Treasury Yield	%	4,62%	May-23	3,36%	1,3%	Oct-23	4,99%	-0,4%	0,7%	neutral	slightly OB
German 10Y Bund Yield	%	2,50%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,5%	neutral	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	89	Oct-23	83	8,0%	May-23	103	-13,4%	-8,5%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-23	98	7,7%	Dec-23	110	-4,7%	-4,1%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	76	May-23	70	8,3%	Mar-24	78	-2,0%	-0,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	79	10,7%	Apr-24	90	-2,6%	-1,2%	neutral	neutral
EUR/USD		1,07	Oct-23	1,05	1,8%	Jul-23	1,12	-5,2%	-3,5%	neutral	slightly OS
GBP/USD		1,24	Oct-23	1,21	2,4%	Jul-23	1,31	-5,8%	-2,9%	neutral	slightly OS
USD/JPY		155	Apr-23	134	15,7%	Apr-24	155	-0,0%	9,6%	neutral	slightly OB
USD/CHF		0,91	Jan-24	0,84	8,3%	Oct-23	0,92	-1,1%	8,2%	neutral	slightly OB
AUD/USD		0,64	Oct-23	0,63	1,9%	Jul-23	0,69	-6,8%	-5,8%	neutral	slightly OS
Brent Oil (per Barrel)	USD	87	Jun-23	72	21,5%	Sep-23	97	-9,6%	13,3%	up	neutral
Gold Spot (per Ounce)	USD	2 391	Oct-23	1 820	31,3%	Apr-24	2 391	0,0%	15,9%	up	OB

Equity Focus: Higher for Longer and Liquidity Crunch, the sell-off was overdue

The trigger behind last week's sell-off may coincide with geopolitical instability, yet the dynamics at play are more widespread. Initially, we would point that the rally since October is one of the sharpest in the last 100 years and that some profit taking was overdue. This is especially true as the conditions for this rally (forthcoming FED rate cuts) aren't guaranteed anymore. Since January indeed, expectations for these have dropped from 7 to 1.5 (top-left graph), while only 38% of professional investors now expect lower long term rates (bottom-left graph). On the liquidity front, since January the drop in the FED repo facility had maintained a status quo. It is now depleted and the recent surge in the Treasury General Account as we move towards the April US tax deadline (billions taxes being paid, which are leaving financial markets dry of funding) was bound to have an impact (top-right graph). Shorter term, however, the sell-off has been broad and acute. The S&P500 has gone from Overbought to Oversold in days and a rebound is probably due over the next 1-2 weeks (bottom-left graph).

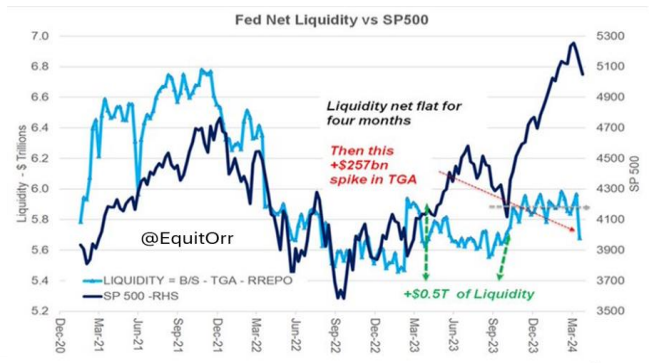
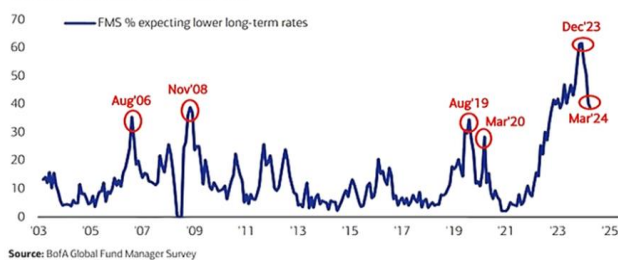


Chart 11: Expectations for bond yields to fall now lowest since Oct'22
% of FMS expecting lower long-term rates



Notes:

- Trend last 6 months:** this Primis original algorithm, weighs the slope of the trend over the last 6 months vs the slope of the trend over the last 3 months yet factorised by the Fibonacci retracement ratio (0.618). Values are normalised using the average price over each period. If this combined slope is above +0.05% the trend is then "up", below -0.05% then "down", otherwise it is "neutral".
- Overbought (OB) / Oversold (OS) measures:** this Primis original algorithm is computed by comparing the difference between the 8 days moving average and the 100 days combined with the 3 days vs the 15 days one and normalises this difference by dividing it by the 1 year standard deviation (circa 260 open market days). Values above 225% or under -225% are Overbought "OB", resp. Oversold "OS", values above 100% or under -100% are "slightly OB", resp. "slightly OS", otherwise there is no relevant exaggeration and the situation is then "neutral".

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